

Grandfather Economic Report series

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Government Trust Fund and Deficit/surplus Report

(updated Dec. 2005)

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- a chapter of the [Grandfather Economic Reports](#) -

**Each year nearly every congress-person in both parties
claims they want to save social security.**

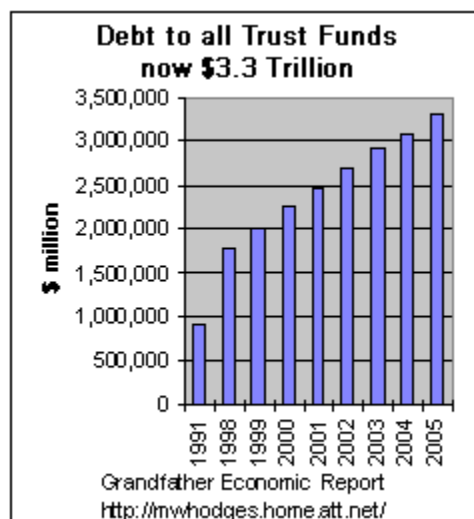
**But every year they allow every penny of paid-in surpluses
to the trust fund to be spent on other stuff.**

**The total amount siphoned-off from that trust fund to date is \$1.6 Trillion,
with an additional 1.7 Trillion siphoned from other trust funds,
With zero plan to pay anything back to support future retirees.**

**Trust fund surplus siphoning continues to help camouflage government spending,
So budget surpluses can be claimed when actually there are deficits,
Or smaller deficits can be claimed than is really the case.**

**This camouflauge helps politicians get elected,
Drives up debt like crazy
And destroys social security and other trust funds.**

And - destroys citizen trust in government.



Total Federal Government debt at end FY 2005 was \$7.9 trillion, according to the [Federal Debt Report](#). Of that total, according to the Treasury Dept., \$3.3 trillion was owed to trust funds, because the general government siphoned-off all surpluses that should have been kept in those trust fund accounts for specific use - - like employee and senior pensions. After siphoning off trust funds for other uses they placed non-marketable IOUs in the trust accounts instead of marketable assets - - with no budget to pay-back the trust funds.

Trust funds include many different special trust accounts: such as the social security trust fund, the federal employee retirement fund, federal hospital trust fund, railroad retirement fund, military retirement fund, employee life insurance fund, etc.

The practice of siphoning-off trust fund surpluses to spend on non-trust stuff is a way of camouflaging general government deficit spending, making it appear to be in surplus when it's really in deficit - - - or making it appear that a huge deficit is just a modest deficit. Politicians like this practice, but such is dangerous to the financial health of future retirees and our young generation - - - and such undermines citizen trust in government..

Note the left chart showing exploding debt owed to trust funds - - an increase of \$2.4 trillion during the past 14 years - - or 340% higher.

After bragging in the late 1990s about **budget surpluses**, when in fact the general government was in deficit (not surplus) despite the highest tax revenue share of the economy in peace-time history, we know they were claiming trust fund surpluses as their own. They were understating their claimed deficits by mixing in surpluses of trust funds.

According to the above chart, \$3.3 trillion of the general federal government's \$7.9 trillion debt is owed to the group of trust funds. As we will see below, \$1.6 trillion (of that \$3.3 trillion) is owed just to the social security trust fund. The government never budgets paying down its \$3.3 trillion debt to trust funds with its own money. Why should we allow FICA and trust surpluses to be siphoned-off to pay down debt the general government owes to non-trust entities? Additionally, if the general government siphons-off trust fund surpluses and uses that to pay down some of its 'public' debt then that will make the debt owed to the trust funds rise by the same amount - - resulting in zero debt reduction. Its smoke and mirrors. The general government should run its own surpluses for that purpose, not siphon from others.

Using trust fund surpluses to pay down general debt to others is equivalent to - 'a son siphons-off surpluses in his mother's retirement account and uses same to pay down his own credit card debt - - and then gives her non-marketable IOUs which contain zero pay-back plan, and instead of paying interest in cash (as he would have to do to a credit card company) he will just slip in a few more IOUs in her account - - while telling others that he is a good guy because he is paying off debt and at same time he is saving her retirement account.' Of course it should be just as wrong for a government to self-deal with social security trust funds as it is for a son self-dealing in his mother's retirement account.

Bottom-line: when someone says we are going to use surpluses to pay down debt - - then, you should say whose surplus funds are you using - - your own (of which you have zero), or trust fund surpluses funds that are not yours? Answer: trust funds. And then ask, where is the budgeted plan to repay the trust funds for \$3.1 trillion siphoned-off to date to help save social security, etc.? Answer: there is none. Lastly ask, what is the true surplus of the general government if you don't count trust funds as if they belonged to the general government? Answer: the general government has no surplus - - its still running a big deficit. If we want debt reduction (and we do) then its total debt reduction, not just shifting debt from the public to trust funds.

Recognizing a picture is worth a thousand words, a simple graphic follows - -